



PUBLICATION 1345N-MeF
Supplement to Publication 1345N

Nebraska
Modernized e-File (MeF)
Handbook
For
Electronic Filers of
Individual Income Tax Returns

TAX YEAR 2009

BE SURE TO GET OTHER ELECTRONIC RETURN ORIGINATOR (ERO) MATERIALS FROM OUR WEB SITE. You can download additional copies of this booklet, as well as other forms, files and publications that will assist you with e-filing Nebraska returns for your clients. Go to "[For Tax Preparer](#)" on our Web site.

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Nebraska e-file

ELECTRONIC FILING CALENDAR

For Tax Period January 1, 2009, through December 31, 2009

Begin Software Developer ATS Testing(To be announced)

- EROs are not required to file a state application or perform state acceptance testing to participate in the Modernized e-File program.
- For Tax Year 2009, Nebraska will begin testing and approving software developers upon approval of our XML Schemas and release of our Publication 1436N-MeF Test Package. The Department will work with individual software developers to approve their MeF products upon completion of traditional "Legacy" E-file testing. Electronic Return Originators are encouraged to contact their software provider to determine if the MeF option will be supported for Nebraska.
- Nebraska software developers must be approved by the Internal Revenue Service (IRS) before final approval with the state.

Begin Transmitting Returns to IRS/Nebraska Department of Revenue(Targeted) February 17, 2010

Last Date for Timely Filed Returns April 15, 2010

Last Retransmission of Rejected Timely Filed Returns (Determined by IRS)

Last Date for Extended Filed Returns October 15, 2010

Last Retransmission of Rejected Extended Filed Returns (Determined by IRS)

NOTE: **These dates may be subject to change at any time.**

Chapter 1

MeF OVERVIEW

**This document supplements Nebraska Publication 1345N.
Refer to Publication 1345N for more complete instructions and information for
participation in Nebraska e-file.**

Introduction to Modernized e-File (MeF)

Modernized e-File (MeF) is a web-based system that provides for Federal/State electronic filing of individual income tax returns through the Internet using XML formats. XML (Extensible Markup Language) is an industry standard for storing and transmitting data. The existing Federal/State e-file program that Nebraska has participated in, and is sponsored by the IRS (referred to hereafter as 'Legacy E-file'), has used what is commonly called proprietary record formats. This means these file formats were designed specifically by the IRS for this older e-file program. XML will replace these older proprietary formats.

Current Income Tax Electronic Filing

The current Fed/State E-file Legacy system opened in 1991 and has 37 participating states. The Department began offering e-file to the public through this program for tax year 1994 returns in 1995, and has seen steady growth in the number of e-filed returns. This year, the Department received approximately 70% of income tax returns electronically.

The IRS intends to discontinue the Legacy e-file system as of January 2012 and all software developers, transmitters, and states will have to process Federal/State transmissions on the MeF platform.

The Benefits of Participation in the MeF Program

- Support for e-filing of a variety of Nebraska income tax forms that previously could not be e-filed. In the Legacy E-file program, several Nebraska forms that previously had to be mailed to the Department can now be sent electronically as part of the MeF return.
- More detailed error condition reporting through the Acknowledgment process. MeF will include more precise definitions of errors that the Department detects upon receipt of a transmitted return. These will be communicated through the use of codes provided in Acknowledgments and can take the form of either Rejects or Alerts.
- Faster turnaround from transmission to acknowledgment. MeF operates in real-time as opposed to the old batch file processing method. When you transmit a return, you will receive the Nebraska Acknowledgment much faster than in the old Legacy program.
- Greater standardization between the IRS and states, and among states, resulting from the adoption of XML formats. XML is widely accepted and has been further standardized through the efforts of the IRS, the states (through the Federation of Tax Administrators), and the software industry.
- Transmissions and acknowledgments are available 24/7. MeF allows Transmitters to transmit returns year round, except for a short period at the end of the calendar year.

Chapter 2

MeF IMPLEMENTATION

Nebraska Planning for MeF

The IRS has offered e-file through MeF for corporate income tax returns for several years. There are two approaches to participation in MeF. Some states prefer to develop programs for their state equivalent of federal Forms 1120 and 1065 before developing their 1040 income tax program. Other states prefer to begin with individual income tax. In either case the technologies are very similar, and knowledge gained can be applied to all such following programs. The Department has made a decision to implement MeF for individual income tax before corporate income tax. Because several states have made the decision to support the 1120/1065 program first, the Department can benefit from the efforts and experiences of the IRS and these states in developing both tax programs.

MeF and National Standards

The Department has actively participated in developing national standards for the MeF program. As a member of the Federation of Tax Administrators (FTA), the Department has contributed to the development of national standards used with this program. The FTA has been involved in setting national standards since 1989 for other electronic programs such as EFT payments, EDI (electronic data interchange), 2-D barcoding, and now Federal/State MeF. The organization that hosts standards meetings is a part of the American National Standards Association, through its Accredited Standards Committee X12 (X12 denotes business data exchange), and its Government Subcommittee's workgroup, is called TIGERS. TIGERS is an acronym for Tax Implementation Group for E-Commerce Requirements Standardization. TIGERS was formed in October 1994 by the FTA, the states, the IRS, and business and service provider representatives. TIGERS seeks to ensure success by providing a forum for government and industry members to regularly meet together and agree upon "conventions" for the national-standard formatting of electronic data. This standardization effort makes it easier and less expensive for service providers such as software companies to provide products to their customers.

MeF to be Phased in by the IRS

The IRS, in conjunction with participating states, intends to rollout 1040 MeF using a three-phase strategy over three years.

- Phase one of 1040 MeF begins in February 2010 and will include these federal forms and schedules:
 - 1040
 - Schedule A
 - Schedule B
 - Schedule C
 - Schedule D
 - Schedule E
 - Schedule EIC
 - Schedule M (new)
 - Schedule R
 - Schedule SE
 - 1099-R
 - 2106
 - 2210
 - 2441
 - 4562
 - 4868
 - 8283
 - 8812
 - 8829
 - 8863
 - 8880
 - 8888
 - W-2

- Phase two of 1040 MeF begins in January 2011 and will include the same forms as the first release. The IRS plans to use year two to make infrastructure improvements.
- Phase three of 1040 MeF occurs in January 2012 and will include the remaining forms filed under the current individual e-file program.

The Department intends to support all forms that can be filed as a portion of a Nebraska MeF electronic return in the first year of this phased-in approach. This does not mean that all software will support all Nebraska forms. The Nebraska MeF return consists of the Nebraska Form 1040N, and supporting IRS electronic forms, schedules, and documents. Nebraska forms that can be filed with the Nebraska MeF are shown in the following table.

Form Name	Form Title
Form 1040N	Nebraska Individual Income Tax Return (base form)
Schedule I	Nebraska Adjustments to Income
Schedule II	Credit for Tax Paid to Another State
Schedule III	Computation of Nebraska Tax for Nonresidents and Partial-Year Residents
Form 14N	Statement of Nebraska Income Tax Withheld for Nonresident Individual
Form 1099 BFC	Certificate of Nebraska Tax Credit for Beginning Farmer Credit
Form 1099NTC	Statement of Nebraska Tax Credit for Community Development Assistance Act Contribution
Form 1310N	Statement of Person Claiming Refund Due a Deceased Taxpayer
Form 2210N	Individual Underpayment of Estimated Tax
Form 2441N	Nebraska Child and Dependent Care Expenses
Form 3800N	Nebraska Incentives Credit Computation for Tax Years After 2005
Form 4797N	Special Capital Gains/Extraordinary Dividend Election and Computation
Nebraska Advantage Act Application	Nebraska Advantage Microenterprise Tax Credit Act Application Part 3
Form CDN	Nebraska Community Development Assistance Act Credit Computation
Form NFC	Statement of Nebraska Financial Institution Tax Credit
Form NOL	Nebraska Net Operating Loss Worksheet
Form RRB-1099	Payments by the Railroad Retirement Board
Form RRB-1099R	Annuities or Pensions by the Railroad Retirement Board
Form 3800N Research and Development Worksheet	Research and Development Credit Worksheet for Tax Year 2007 and After
Form 3800N Worksheet	Nebraska Renewable Energy Tax Credit Worksheet

As with Legacy E-file, be aware that some software products may have limitations and exclusions that are beyond the control of the Department. Be sure to check with your software provider if you have questions about which Nebraska forms they support.

The Department has made a number of mostly minor form changes this year to help prepare for the implementation of MeF. Fewer worksheets are being used in the tax booklet instructions and, where appropriate, these will now appear as additional lines and sub-lines in the instructions on the face of the form. For Form 1040N, this impacts Line 16, Minimum or Other Tax and Line 20, Credit for Tax Paid to Another State. Form 2441N has been changed so that it computes the 1040N Line 32 amount on the form itself, without having to go to a worksheet inside the booklet. The Department will continue to make various adjustments in our processing methodologies and form structures to improve performance in the MeF program.

Chapter 3

TRANSMITTING THE MeF RETURN

How Return Information is Transmitted in MeF

1. Each line value on Nebraska forms supported in MeF are given a unique identifier. These are used to create an XML schema for each form. A schema defines what the data must look like. The Department also develops Business Rules used to validate data on each form contained in the return. Business rules in the MeF program are much like Reject Codes in the Legacy program. These rules are used to make sure the form is properly prepared. (Please find our Business Rules document on the [Preparer page](#) of our Web site).
2. The Department provides the XML schemas and Business Rules to software companies. They use the XML schemas and Business Rules to create the electronic portion of the tax preparation software you use.
3. Software vendors are required to test their tax preparation software with the IRS and the Department to ensure their software can correctly format and transmit electronic tax return data. Software vendors must pass testing and be approved by both the IRS and the Department before they can transmit a Nebraska return.
4. After testing is complete and a Nebraska MeF return is received by the Department, each form contained in the return is first compared to its schema to ensure it is in the correct format. MeF employs a two-level acknowledgment process. The first of these is an acknowledgment that indicates the return was received. If the return data meets the schema requirements, the Department then uses Business Rules to validate each form's contents. The second level of acknowledgment is used to report the outcome of this validation.
5. Returns that successfully pass validation are considered "Accepted" and are placed into the Department's general income tax processing system. Accepted returns may contain information in their Acknowledgment that alerts the ERO about potential problems in processing that could delay the return's processing or change how the return is calculated.
6. Returns that fail validation are considered "Rejected" and the transmitter will be sent an acknowledgment that indicates the reason for the rejection. Your software should present this acknowledgment to you so you will know the status of each Nebraska return sent. As with the Legacy E-file program, if your software supports this capability, you will be able to correct the error and resend the Nebraska return.

IRS and State Data Validation

IRS will validate the primary and secondary taxpayer identification numbers (TINs), the electronic transmitter identification number (ETIN) and the electronic filer identification number (EFIN) of the Nebraska submission. IRS will not deny a state submission for invalid TINs. IRS will insert indicators into the Nebraska submission manifest for both the primary and secondary TIN, indicating whether the TIN and name control were found as a match on the IRS master file, were not a match on the IRS master file, or were not on file. IRS will deny a Nebraska submission (not make the submission available to the Department) ONLY under the following conditions:

- The state does not participate in the Fed/State 1040 program or is not in production status.
- The ETIN of the transmission is invalid.
- The EFIN of the submission is invalid.
- In the case of a linked state submission, the federal submission to which the state submission is linked was rejected by IRS.

The Department will perform “consistency checks” between corresponding data fields in federal and state submissions. Consistency checks (or edits) are exact comparisons between a single line on a Nebraska form to a single line on a federal form, and requires no math. It requires an exact match (no tolerances.) If a Nebraska return is found to be inconsistent with the federal return based on these edits, a full Nebraska Acknowledgment containing a Business Rule “reject” Code will be returned to the Transmitter. Fields that are tested for federal consistency include:

- 1040N Line 4 Number of Federal Exemptions: Compared to 1040 or 1040A Line 6d. (No comparison is done if it is a Form 1040EZ.)
- 1040N Line 5 Adjusted Gross Income: Compared to 1040 Line 37, or 1040A Line 21, or 1040EZ Line 4.
- 1040N Line 7 Total Itemized Deductions: Compared to federal Schedule A, Line 28.
- 1040N Line 8 State and Local Income Taxes: Compared to federal Schedule A, Line 5, (income tax amount only, no sales tax; this assumes the IRS is returning to a 2-part line on Schedule A).
- 1040N Line 98 Federal EIC Claimed: Compared to 1040 Line 66a, or 1040A Line 40a, or 1040EZ Line 8a.

Determining Whether a Return Goes MeF or Legacy E-file

The decision to transmit tax year 2009 Nebraska returns through the MeF program is largely controlled by your software company and, to a lesser extent, the IRS. Factors that impact this include:

1. As previously mentioned, this program is being phased in by the IRS over a three-year period. During this time frame the IRS and states will receive and process e-filed returns originated by both the Legacy E-file system and MeF. **Nebraska will not require software companies to participate in the MeF program during this phase-in, so participation will vary company by company.** Please contact your software provider to determine if they will be supporting the MeF option for Nebraska, and what limitations their software has when creating the Nebraska return.
2. In addition to the decision of your software provider to support or not support Nebraska returns in MeF, the IRS has implemented what is called a Volume Management Strategy. This is an effort by the IRS to ensure system reliability by limiting the number of tax returns they receive via MeF in year one of the phase-in period. This will be accomplished by limiting transmitters to a specific percentage of all e-filed returns that can be sent to the IRS through the MeF system. The IRS target for federal returns is 30 million accepted returns. The IRS will work with each software company privately and provide a daily volume limit that they can submit through MeF based on history and percentage of the total volume.
3. Not all federal and state forms will be supported for tax year 2009. While the Department has designed our part of this program to allow for filing all current year income tax forms that can be attached to Form 1040N, the IRS will limit the number of forms they will support. This means that if a federal form required as part of a federal tax return is not in the list of supported federal forms, the return will have to be transmitted through the Legacy E-file system. Further, if the return includes more than one state return, and the other state return requires a form not supported in MeF by that state, the entire transmission including the federal return, the Nebraska return, and the other state’s return will have to be sent through Legacy E-file.

In most cases, the taxpayer will not see differences in their e-file experience between Legacy and MeF. Still, some differences will exist. Return processing and Acknowledgment turn-around will be much faster under MeF, and that means that customer A filing via MeF may get their refund faster than customer B using Legacy when they filed on the same day. Also, because more, and in some cases different information is collected, a MeF return may get held up in processing whereas the same Legacy return would not, and vice versa. The Department will make every effort to make this conversion as easy as possible for EROs and taxpayers.

Contents of the MeF Electronic Return

The Nebraska return consists of Form 1040N and all required forms that should be attached to it. The Nebraska return also contains a copy of the taxpayer's federal return. Nebraska requires that all of the federal filing be included with a state filing, including all withholding documents and other XML data in the Nebraska submission package. This data is supplied directly to Nebraska by the taxpayer and is not disclosed by IRS.

Nebraska submissions may be transmitted independently of federal submissions. These Nebraska submissions may either be stand-alone (state only), or they may be linked to a federal submission that was previously transmitted. A Nebraska submission is linked to a federal submission, whether or not they are part of the same transmission, by inserting the Submission ID of the federal return in the submission manifest of the Nebraska submission.

Non-electronic Return; Mailed to the Department

The intent of the MeF program is to allow extraneous documentation not a part of the XML data to be sent with the electronic return in PDF files. During the phased-in portion of this program implementation, most software developers will not support this option for states. For Nebraska, this extraneous documentation can include a variety of documents including, but not limited to things such as documents used to establish proof of death, power of attorney documents, statements and certificates.

If your software does not support a particular Nebraska form, you have the option of mailing the form to the Department. Documents have to be mailed before the return will be completely processed. These documents can include the extraneous documentation mentioned above, and any of those forms shown in the table above that are not supported by your software. These forms and documents must be mailed to the Nebraska Department of Revenue using Form 8453N as a cover sheet. Form 8453N will contain checkboxes to identify which forms are attached, similar to the federal Form 8453. Mail Form 8453N with attachments to:

Nebraska Department of Revenue
P.O. Box 98911
Lincoln, NE 68509-8911

Non-electronic Return; Retained by the ERO

Non-electronic portions of the Nebraska return that must be retained by the ERO for a period of three years from the due date include the following.

- State copies of all withholding documentation (except Form 14N which must be either transmitted as part of the MeF return or mailed).
- All federal forms and schedules; and other states' returns needed to substantiate the Nebraska return. These consist of any federal forms or other states' forms normally attached to a paper Nebraska return, including Forms 6251, 4972, and 5329 when used to substantiate Form 1040N, Line 16, and Form 2441 when the state Form 2441N is not supported as part of the MeF return. Please refer to the Nebraska Tax Booklet instructions when determining which forms must be retained. These consist of any (non-electronic) federal or other state forms normally attached to a paper Nebraska return.

Chapter 4

ACKNOWLEDGMENTS

Overview

IRS will host both federal and state acknowledgments for retrieval by transmitters (single point acknowledgments). Nebraska will create the state acknowledgments, and transmit them to IRS via web services. The Nebraska Acknowledgment will be in two parts:

- a. A simple “receipt” will be returned for each return submission to indicate that the submission was received apparently intact, with no communication protocol errors. The receipt will not indicate whether the return is accepted or rejected.
- b. The full Nebraska Acknowledgment will then indicate whether the return submission is accepted or rejected by the state. A state may choose to accept the return if the XML is valid, or it may choose to fully process the return before creating the acknowledgment.

Once a return submission is accepted, any further processing errors will be handled within the Department’s processing systems, outside of the e-file process. Acknowledgments will be created and transmitted to IRS within two business days of receipt of the return submission. Both receipts and acknowledgments will be in XML format, following schemas provided by IRS.

Do not assume that a federal acknowledgment by itself is a guarantee of receipt of the state return by the Department. It is very important that you get your state acknowledgments to be certain your state returns were received.

Information Provided in the Full Nebraska Acknowledgment

The following describes some of the field contents of the Nebraska acknowledgment that may be useful to the ERO. (Several other pieces of data are contained in the acknowledgment that is used by your Transmitter.) How this information is displayed to the ERO is dependent on the tax preparation software that is used.

Field Name	Description	Sample Value
Submission ID	This is the equivalent of the Declaration Control Number (DCN) used in the Legacy E-file program. It identifies a particular return transmission.	Example: NNNNNN20092570283548 (where NNNNN is the ERO’s EFIN).
Government Code	Indicates the taxing authority who received the transmitted return.	Nebraska
Submission Type	Indicates the type of return data that was transmitted.	1040, 1120, etc.
Tax Year	The tax year of the return	2009
Electronic Postmark	The date and time that the return was received by the taxing authority.	2009-09-14T11:23:29-05:00
Acceptance Status	Indicates whether or not the return was accepted.	Accepted, Rejected

Field Name	Description	Sample Value
Status Date		
Taxpayer Identification Number	The SSN or ITIN of the primary taxpayer.	n/a
IRS Received Date	The date the return was received by the IRS MeF front-end processing system.	2009-09-14
Tax Period End Date	The tax period covered by the return.	2009-12-31
Expected Refund	If the return reported a refund amount, this is provided in the acknowledgment for the ERO to confirm against the return.	
Xpath	If the acknowledgment indicates the return was rejected, this gives the transmitter the exact location of the data that caused the reject or alert.	n/a
Error Category	If the acknowledgment indicates the return was rejected, this indicates the type of error it was.	Math Error, Data Mismatch, etc.
Error Message	If the acknowledgment indicates the return was rejected, this describes the error.	Total itemized deductions on the Nebraska return must match Total Itemized Deductions from federal Schedule A.
Rule Number	If the acknowledgment indicates the return was rejected, this indicates a code that the Transmitter uses to communicate the error message to the ERO.	F1040N-0038
Severity	If the acknowledgment indicates the return was rejected, this indicates "Rejected." It also can indicate when the return is accepted, but an "Alert" message has been triggered.	Reject, Alert
Data Value	If the acknowledgment indicates the return was rejected, this shows the contents of the data that is in error.	n/a

Alerts

Another benefit of the MeF program is that it allows the use of "Alerts". Alerts are issues that need to be brought to the attention of the transmitter, ERO or taxpayer but do not result in the return being rejected. **If you have received a Nebraska Acknowledgment indicating the return is accepted but has Alerts, do not resubmit that accepted return as this will result in the subsequent return being rejected as a duplicate.** If the return is rejected and also has an Alert, you must correct the problems that caused the reject and, if adequate time allows, also correct any issues causing Alerts. **Not all Alerts are problems in the return data. In some cases, Alerts are used to provide additional instructions, such as when a form or document must be mailed to the Department.**

Chapter 5

ELECTRONIC REFUNDS AND PAYMENTS

Overview of Electronic Banking Options

Electronic banking refers to refunds deposited by direct deposit or balance dues withdrawn by electronic funds withdrawal (EFW) or through the Department's E-pay system. While the MeF system will allow multiple bank accounts to be designated for direct deposits and EFWs, the Department will not support this feature in the first phase of the program. **Rules and procedures for these electronic banking options and for credit card payments are covered in Publication 1345N.**

The taxpayer will be able to include payment authorization for a Nebraska balance due return, or deposit information for a Nebraska refund return within the XML state submission. The IRS treats this information solely as pass-through data to the state and does not process state financial data in any way.

The Department will not process banking requests when the Form 1040N International ACH Transaction (IAT) checkbox is checked. The ERO is required to ask the taxpayer if the banking institution that has been designated is located outside of the United States. Refunds that are requested to be paid by Direct Deposit and whose ultimate destination is to a bank outside of the U.S. will be converted to a paper check and mailed to the address on record. EFW's that request a debit from a bank located outside of the U.S. will be cancelled, and the taxpayer will be notified that they must remit their tax through another method.

EROs must stress to their clients the importance of supplying correct banking information. Information submitted in the state return cannot be changed once a return has been received by the Department.

Using the e-pay System for Final and Estimated Payments

The Department encourages you to use our e-pay system to remit your client's tax payments. While payments can be made using the EFW option (which requires you to provide the taxpayer's banking information inside of the electronic return), the e-pay system offers greater flexibility by providing a means to make multiple payments from multiple accounts, and provides a confirmation that the payment instructions were received. It also allows you to schedule estimated payments for your clients. Here are some basic instructions for using e-pay:

- You must provide a valid e-mail address to use the e-pay system. The Confirmation Number will be e-mailed to this address after completion of the payment.
- You can make a payment at any time; however, a payment must be initiated prior to 5:00 p.m. Central Time on the due date to ensure it is timely (a Scheduled Payment Date of the next business day is considered timely).
- Contact Information is needed to match the payment to the tax return (professional tax preparers may substitute their e-mail address for the taxpayer's).
- On the Verify Payment page, review and make corrections if necessary. When finished, click on the box accepting the "Terms and Conditions", and then click on "Confirm."

- Once the payment details have been entered, the final page is the Payment Confirmation page. Although the e-pay system will send you (or your client) an e-mail confirmation, it is always best to either print this page or record the Confirmation Number shown. This is the receipt of payment. **If you do not receive a Confirmation Number on the final page, the payment has not been completed.**
- When making estimated payments, first time users must first click on “Register” and then complete the Registration by entering the SSN, Password, and other contact information. Be sure to use the primary SSN you will report on the Nebraska Individual Income Tax return. The system provides a page to enter the payment amounts, and scheduled payment dates. Each payment must be scheduled separately; however, users only have to register once.

Chapter 6

DEPARTMENT CONTACTS

ELECTRONIC FILING COORDINATION

(402) 471-5619 or (402) 471-5785

General Contact, State Record Layouts & Software Guidelines,
Electronic Return Error Resolution,
Direct Deposit / Electronic Funds Withdrawal Error Resolution,
Software Developer Approval

NEBRASKA TAXPAYER ASSISTANCE HELP LINE

(800) 742-7474

If calling from Nebraska or Iowa

(402) 471-5729

If calling from outside of Nebraska or Iowa

NEBRASKA DEPARTMENT OF REVENUE WEB SITE

www.revenue.ne.gov

Please note that the Nebraska Department of Revenue has designed our Web site to provide additional information to individual taxpayers, and to tax professionals including software developers and tax preparers. As an ERO or software developer, you should take advantage of the opportunity to find useful information about the Department in general and about the Nebraska e-file program specifically.

If you are an ERO, you can find information about our e-file program, and download or read useful forms, files, and publications, including Forms 8453N and 1040N-V; Nebraska Business Rules, and forms and other materials about the Department's electronic filing mandate.

ELECTRONIC COMMERCE SECTION MAILING ADDRESS

Nebraska Department of Revenue
c/o Electronic Commerce Section
P. O. Box 94650
Lincoln, NE 68509-4650

Chapter 7

IMPORTANT MeF CONCEPTS AND E-FILE TERMS

Acceptance or Assurance Testing (ATS): A testing process for Software Developers and Transmitters that participate in IRS and Federal/State MeF e-file programs. This testing establishes that MeF software products and transmission capabilities comply with the IRS and state requirements prior to live processing.

Acknowledgment (ACK): A computer record generated by the IRS and states to a Transmitter that indicates receipt of all transmissions. An ACK Report identifies the returns in each transmission that are accepted or rejected for specific reasons.

Authorized IRS e-file Provider (Provider): This is an IRS defined term for a firm accepted to participate in IRS e-file.

Automated Clearing House (ACH): A system that administers electronic funds transfers (EFTs) among participating financial institutions, such as Direct Deposit or Electronic Funds Withdrawal.

Declaration Control Number (DCN): Used only in Legacy e-file, this is a unique 14-digit number assigned by the ERO (or Transmitter, in the case of Online Filing), to each electronically filed tax return.

Depositor Account Number (DAN): The financial institution account to which a Direct Deposit refund is to be routed.

Direct Deposit: An electronic transfer of a state or federal refund into a taxpayer's financial institution account.

Drain: This is an IRS Legacy E-file term meaning a scheduled time for the IRS to process electronically filed return data.

Electronic Federal Tax Payment System (EFTPS): A service from the U.S. Treasury through which federal taxes may be paid. The taxpayer can pay taxes via the Internet, by phone, or through a service provider. After authorization, EFTPS electronically transfers payments from the authorized bank account to the Treasury's general account. **The Nebraska equivalent of EFTPS is the e-pay system, which can be accessed at http://www.revenue.ne.gov/electron/iit_eft.htm.**

Electronic Filing Identification Number (EFIN): An identification number assigned by the IRS to accepted applicants for participation in IRS e-file.

Electronic Funds Transfer (EFT): The process through which the U.S. Treasury transmits Direct Deposit refunds from the government to the taxpayer's account at a financial institution.

Electronic Funds Withdrawal (EFW): A payment method which allows the taxpayer to authorize the U.S. Treasury to electronically withdraw funds from their checking or savings account.

Electronic Postmark: The Electronic Postmark is the date and time the Transmitter first receives the electronic return on its host computer in the Transmitter's time zone. The taxpayer adjusts the time to their time zone to determine timeliness.

Electronic Signature: A method of signing a return electronically through use of a Personal Identification Number (PIN).

Electronic Return Originator (ERO): The IRS definition says “originate” is an *e-file* Application definition that means this entity checks the return for appropriate format and may include inputting the taxpayer’s return information into approved tax preparation software. The term “originate” does not mean that the entity prepares the return. An ERO “originates” the electronic submission of returns collected from taxpayers wishing to have their returns *e-filed*.

- An ERO may pass on return information to an Intermediate Service Provider or to a Transmitter for the purpose of having an electronic return correctly formatted or transmitted to the IRS and state.
- An ERO who collects return information from a taxpayer becomes the paid preparer of the return when substantive changes are made as a result of entering the data into the tax software. (The ERO discovers errors that require substantive changes and then makes those changes.) The IRS defines a non-substantive change as a correction limited to a transposition error, misplaced entry, spelling error, or arithmetic correction. All other changes are considered substantive and in these cases, the ERO becomes the paid preparer. As such, they may be required to sign the tax return as the paid preparer.

Electronic Transmitter Identification Number (ETIN): An identification number assigned by the IRS to an entity that does transmission and/or software development for e-filed returns.

Individual Taxpayer Identification Number (ITIN): An IRS-assigned tax processing number for certain nonresident and resident aliens, their spouses and dependents. The ITIN is only available from the IRS for those individuals who cannot obtain a Social Security Number (SSN).

Intermediate Service Provider: An authorized IRS e-file participant that receives electronic tax return information from an ERO, or a taxpayer who filed using a personal computer and commercial tax preparation software, that processes this electronic tax return information and either forwards the information to a Transmitter or sends the information back to the ERO or taxpayer.

Internet Protocol (IP) Information: The IP address, date, time and time zone of the origination of a tax return filed through Online Filing via the Internet. The IRS and the Department both require software developers that provide online filing via the Internet to capture the IP information. This provides the location of the return’s originator with the individual’s electronic return.

Legacy E-File: The existing Federal/State e-file program offered by the IRS and participating states since 1991. This program is scheduled to end in 2013. Thereafter, all IRS e-file programs will use the MeF system to receive and process electronically filed returns.

Linked and Unlinked State Returns: A State return can be linked to an IRS return by including the Submission ID of the federal return in the State return manifest.

1. If the State return is linked to an IRS submission (also referred to as a Fed/State return), the IRS will check to see if there is an accepted IRS return under that Submission ID.
 - a. If there is not an accepted federal return under that Submission ID, the IRS will deny the State submission and an acknowledgement will be sent to the transmitter. The state has no knowledge that the state return was denied (rejected) by the IRS. **Note: If you link a State submission to an IRS submission, send in the IRS submission first and, after it has been accepted, send in the State submission.**
 - b. If there is an accepted federal return under that Submission ID, then MeF will do minimal validation on the State return. MeF will then pass along to the State what the ERO (or taxpayer) sends in the State submission.
2. If the ERO does not link the State return to a previously accepted federal return (also referred to as State Standalone return), then MeF will perform minimal validation as stated above that will include verifying that the State allows State Standalone returns and then will pass along to the State the entire State submission that was sent in by the ERO/taxpayer.

MeF (Modernized e-File): In 2001, the IRS embarked on an e-file project for Forms 1120/1120S, and that project is now known as Modernized e-file (MeF). MeF utilizes a new architecture for processing returns and will accept and validate tax returns in Extensible Markup Language (XML) format. Eventually all IRS e-file programs will use the MeF system to receive and process electronically filed returns.

Participants Acceptance Testing (PATs): Required testing for all Software Developers that participate in IRS and state Legacy E-file. This testing establishes that Legacy software products and transmission capabilities comply with the IRS and state requirements prior to live processing.

Perfection Period: Both the IRS and the Department support a 20-day Perfection Period. For Nebraska, when a transmitted electronic return is rejected, there is a 20-day Transmission Perfection Period to perfect that return for electronic re-transmission and still have it postmarked as the date it was originally received by the Department. Perfection of the return for electronic re-transmission generally means that the original return may have errors that cause the return to fail the Department's schema validation or business rules. Rules for this process include:

- The 20-day Nebraska Perfection Period goes into effect once the Department receives a Nebraska return that is rejected by the Department. The Nebraska Perfection Period is not a part of the IRS Perfection Period.
- When a previously rejected Nebraska electronic return is 'Accepted' by the Department within the 20-day Transmission Perfection Period, the Department uses the received date on the earliest reject as the received date for the Accepted return.
- If the taxpayer chooses not to have the electronic portion of the return corrected and retransmitted, or sufficient time does not exist to retransmit the Nebraska return before the close of the Federal/State e-file system, or if the electronic portion of the return cannot be accepted for processing by the Department, the taxpayer must file a paper return. In order to be considered timely filed, the paper return must be postmarked by the later of the due date of the return (including extensions) or 10 calendar days after the date the Department gives notification (by way of a Nebraska acknowledgment) that the return is rejected.

Practitioner PIN Method: This is an electronic signature option for federal taxpayers who use an ERO to e-file. The Practitioner PIN method allows the taxpayer to authorize the ERO to enter or generate their PIN. It is not necessary for taxpayers to provide their date of birth, prior year adjusted gross income, or prior year PIN for authentication when using the Practitioner PIN method. Taxpayers must complete Form 8879, IRS e-file Signature Authorization, for returns using the Practitioner PIN method. Taxpayers can either enter their own PIN or authorize the ERO to enter their PIN for them when completing Form 8879. Nebraska accepts all types of federal PIN for state signature.

Preparer's Tax Identification Number (PTIN): An IRS-assigned identification number issued which paid tax return preparers can use in place of their SSN on returns that they prepare.

Refund Anticipation Loan (RAL): A Refund Anticipation Loan is money borrowed by a taxpayer that lender bases on a taxpayer's anticipated income tax refund. Neither the IRS nor the state has any involvement in RALs. A RAL is a contract between the taxpayer and the lender.

Refund Cycle: The date that the IRS or a state estimates it would issue a refund by Direct Deposit. In Legacy E-file, the IRS bases its Refund Cycle on a specific "drain", which results in all deposits being made on a Friday. The Department's Refund Cycle is based on a processing cycle of three times per week and results in deposits being made on various times of the week. Neither the federal government nor states can guarantee the specific date that a refund deposit is settled into a taxpayer's financial institution account.

Schema: A *schema* is a model for describing the structure of information. It's a term borrowed from the database world to describe the structure of data in relational tables. In the context of XML, a schema describes a *model* for a whole class of documents. The model describes the possible arrangement of tags and text in a valid document. The purpose of a schema is to allow machine validation of document structure. Every specific, individual document which doesn't violate any of the constraints of the model is, by definition, valid according to that schema.

Self-Select PIN Method: An electronic signature option for taxpayers who e-file their federal return using either a personal computer or an ERO. This method requires the taxpayer to create a five-digit PIN to use as the signature on the e-file return and to submit authentication information to the IRS with the e-file return. The PIN is any five numbers (except all zeros) that they choose to enter as their electronic signature. If they are filing a joint return, each taxpayer needs a PIN and each may choose any five numbers. As part of the authentication process, each taxpayer also enters their date of birth, and either their original prior year adjusted gross income or their prior year PIN. Nebraska accepts all types of federal PINs for state signature.

Software Developer: An IRS and state approved entity that develops computer software for the purpose of formatting the electronic returns according to federal and state requirements.

Strong Authentication: To ensure greater security in MeF, passwords cannot be used when communicating with the IRS. Strong Authentication refers to a new method for confirming authority to use MeF application-to-application (A2A) Web services. The IRS has installed certificate-based authentication technology. The new authentication system will affect authentication for all A2A Web services, including communication with states. Other than providing greater security, this process does not normally affect EROs.

Web Service: This is a computer-programmed tool or capability that can be accessed through the Web rather than being run locally on a desktop.